

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AID-05 CEA-01 CIAE-00 COME-00
EPG-02 DODE-00 FEAE-00 FPC-01 H-02 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15 OES-07
SP-02 SS-15 STR-04 TRSE-00 ACDA-10 /109 W
-----086101 071345Z /46

R 071049Z JUL 77
FM AMEMBASSY MADRID
TO SECSTATE WASHDC 913
INFO AMCONGEN BARCELONA
AMCONSUL BILBAO
AMCONGEN SEVILLA
USED A

UNCLAS MADRID 5132

E.O. 11652: N/A
TAGS: ENRG, EFIN, TECH, SP
SUBJECT: NUCLEAR ENERGY: TAX INCENTIVE FOR SITING

1. THE GOS WILL SOON ANNOUNCE A NEW PROGRAM FOR INDUCING PROVINCIAL GOVERNMENTS TO ACCEPT LOCATION OF NUCLEAR POWER STATIONS IN THEIR PROVINCES. THE INGENIOUS PLAN, DEVELOPED BY ENERGY COMMISSIONER LUIS MAGANA, ALLOWS EACH PROVINCE TO TAX NET EXPORTS OF ELECTRIC POWER TO OTHER PROVINCES. MOST NUCLEAR POWER PLANTS EITHER UNDER CONSTRUCTION OR IN THE PLANNING STAGE ARE LOCATED IN SPARSELY POPULATED, LESS DEVELOPED PROVINCES OF THE COUNTRY; AND THE MAJORITY OF ELECTRICITY PRODUCED WILL BE "EXPORTED" TO MORE INDUSTRIALIZED AND POPULATED AREAS.

2. THSX RESPONDS TO THE MAIN COMPLAINT RAISED AGAINST NUCLEAR POWER PLANTS. LOCAL GROUPS HAVE OPPOSED NUCLEAR POWER STATIONS, NOT SO MUCH BECAUSE OF THEIR ENVIRONMENTAL IMPACT OR SAFETY CONSIDERATIONS, BUT BECAUSE THEY BELIEVE THE PRODUCING PROVINCES SHOULD RECEIVE MATERIAL BENEFITS FROM THE NUCLEAR PROGRAM BEYOND MERELY
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SATISFYING THEIR OWN MODEST ELECTRIC POWER REQUIREMENTS. THE TAX WOULD BE AN IMPRESSIVE ADDED BENEFIT. AN ESTIMATE MADE BY THE COMMISSIONER PLACES THE EXPECTED REVENUE FROM THIS TAX FOR CACERES PROVINCE WHEN THE ALMARAZ NUCLEAR CENTRAL GOES ON STREAM AT SOMETHING LIKE THREE TIMES THE PROVINCE'S CURRENT ANNUAL BUDGET ALLOCATION FROM THE CENTRAL GOVERNMENT.

3. THERE ARE SEVERAL OTHER BENEFITS INCIDENTAL TO THE MAIN PURPOSE OF THE TAX. LOCAL GOVERNMENTS ARE AGGRESSIVELY DEMANDING MORE AUTONOMY, WITH GREATER ABILITY TO RAISE FUNDS FOR THEIR OWN COFFERS. THE PROVINCIAL ELECTRIC POWER TAX WOULD BE A SIGNIFICANT STEP IN THAT DIRECTION. THE MOST DIFFICULT STRUCTURAL ECONOMIC PROBLEM FACING SPAIN IS THE GREAT DISPARITY IN ECONOMIC PROGRESS BETWEEN THE VARIOUS PROVINCES. NO BETTER EXAMPLE CAN BE FOUND THAN THE CONTRAST BETWEEN THE HIGH STANDARD OF LIVING IN MADRID AND THE VERY LOW ONE PREVALENT IN THE SURROUNDING PROVINCES. FOUR OF THESE, - GUADALAJAR, CUENCA, CACERES AND BADAJOZ - WOULD RECEIVE SOME TRANSFER OF THAT WEALTH THROUGH THE TAX. THE TAX MAY ALSO ENCOURAGE MANUFACTURERS TO LOCATE IN THE PROVINCES THAT GENERATE THE NUCLEAR BASED POWER.

4. THE PROVINCIAL ELECTRIC TAX IS AN IMAGINATIVE RESPONSE TO THE MOST PRESSING OBJECTION TO THE NUCLEAR POWER PROGRAM IN SPAIN AND IS FURTHER EVIDENCE OF THE CRUCIAL ROLE ASSIGNED THIS ENERGY SOURCE BY THE GOVERNMENT. EMBASSY WILL SUPPLY TAX RATE STRUCTURE AND OTHER DETAILS WHEN THE TAX ENTERS INTO FORCE. STABLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR POWER PLANTS, TAX INCENTIVES
Control Number: n/a
Copy: SINGLE
Sent Date: 07-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MADRID05132
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770241-0427
Format: TEL
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770783/aaaacugr.tel
Line Count: 81
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b862a66f-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1939446
Secure: OPEN
Status: NATIVE
Subject: NUCLEAR ENERGY: TAX INCENTIVE FOR SITING
TAGS: ENRG, EFIN, TECH, SP
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/b862a66f-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009